

policy changes using application denials, case closures, or other administrative data sources and analyses.

(2) We will accept the information and estimates provided by a State, unless they are implausible based on the criteria listed in paragraph (d) of this section.

(3) We may conduct on-site reviews and inspect administrative records on applications, case closures, or other administrative data sources to validate the accuracy of the State estimates.

(b) In order to receive a caseload reduction credit, a State must submit a Caseload Reduction Report to us containing the following information:

(1) A listing of, and implementation dates for, all State and Federal eligibility changes, as defined at § 261.42, made by the State since the beginning of FY 2006;

(2) A numerical estimate of the positive or negative average monthly impact on the comparison-year caseload of each eligibility change (based, as appropriate, on application denials, case closures or other analyses);

(3) An overall estimate of the total net positive or negative impact on the applicable caseload as a result of all such eligibility changes;

(4) An estimate of the State's caseload reduction credit;

(5) A description of the methodology and the supporting data that a State used to calculate its caseload reduction estimates; and

(6) A certification that it has provided the public an appropriate opportunity to comment on the estimates and methodology, considered their comments, and incorporated all net reductions resulting from Federal and State eligibility changes.

(c)(1) A State requesting a caseload reduction credit for the overall participation rate must base its estimates of the impact of eligibility changes on decreases in its comparison-year overall caseload compared to the FY 2005 overall caseload baseline established in accordance with § 261.40(d).

(2) A State requesting a caseload reduction credit for its two-parent rate must base its estimates of the impact of eligibility changes on decreases in either:

(i) Its two-parent caseload compared to the FY 2005 base-year two-parent caseload baseline established in accordance with § 261.40(d); or

(ii) Its overall caseload compared to the FY 2005 base-year overall caseload baseline established in accordance with § 261.40(d).

(d)(1) For each State, we will assess the adequacy of information and estimates using the following criteria: Its methodology; Its estimates of impact compared to other States; the quality of its data; and the completeness and adequacy of its documentation.

(2) If we request additional information to develop or validate estimates, the State may negotiate an appropriate deadline or provide the information within 30 days of the date of our request.

(3) The State must provide sufficient data to document the information submitted under paragraph (b) of this section.

(e) We will not calculate a caseload reduction credit unless the State reports case-record data on individuals and families served by any separate State program, as required under § 265.3(d) of this chapter.

(f) A State may only apply to the participation rate a caseload reduction credit that we have calculated. If a State disagrees with the caseload reduction credit, it may appeal the decision as an adverse action in accordance with § 262.7 of this chapter.

**§ 261.42 Which reductions count in determining the caseload reduction credit?**

(a)(1) A State's caseload reduction credit must not include caseload decreases due to Federal requirements or State changes in eligibility rules since FY 2005 that directly affect a family's eligibility for assistance. These include, but are not limited to, more stringent income and resource limitations, time limits, full family sanctions, and other new requirements that deny families assistance when an individual does not comply with work requirements, cooperate with child support, or fulfill other behavioral requirements.

(2) At State option, a State's caseload reduction credit may include caseload increases due to Federal requirements or State changes in eligibility rules since FY 2005 if used to offset caseload decreases in paragraph (a)(1) of this section.

(3) A State may not receive a caseload reduction credit that exceeds the actual caseload decline between FY 2005 and the comparison year.

(4) A State may count the reductions attributable to enforcement mechanisms or procedural requirements that are used to enforce existing eligibility criteria (e.g., fingerprinting or other verification techniques) to the extent that such mechanisms or requirements identify or deter families otherwise ineligible under existing rules.

(b) A State must include cases receiving assistance in separate State programs as part of its FY 2005 caseload and comparison-year caseload. However, if a State provides documentation that separate State program cases overlap with or duplicate cases in the TANF caseload, we will exclude them from the caseload count.

**§ 261.43 What is the definition of a "case receiving assistance" in calculating the caseload reduction credit?**

(a) The caseload reduction credit is based on decreases in caseloads receiving TANF- or SSP-MOE-funded assistance (other than those excluded pursuant to § 261.42).

(b)(1) A State that is investing State MOE funds in excess of the required 80 percent or 75 percent basic MOE amount need only include the pro rata share of caseloads receiving assistance that is required to meet basic MOE requirements.

(2) For purposes of paragraph (b)(1) of this section, a State may exclude from the overall caseload reduction credit calculation the number of cases funded with excess MOE. This number is calculated by dividing annual excess MOE expenditures on assistance by the average monthly expenditures on assistance per case for the fiscal year.

(i) Where annual excess MOE expenditures on assistance equal total annual MOE expenditures minus the percentage of historic State expenditures spec-

ified in paragraph (v) of this section, multiplied by the percentage that annual expenditures on assistance (both Federal and State) represent of all annual expenditures, and

(ii) Where the average monthly assistance expenditures per case for the fiscal year equal the sum of annual TANF and SSP-MOE assistance expenditures (both Federal and State) divided by the average monthly sum of TANF and SSP-MOE caseloads for the fiscal year.

(iii) If the excess MOE calculation is for a separate two-parent caseload reduction credit, we multiply the number of cases funded with excess MOE by the average monthly percentage of two-parent cases in the State's total (TANF plus SSP-MOE) average monthly caseload.

(iv) All financial data must agree with data reported on the TANF Financial Report (form ACF-196) and all caseload data must agree with data reported on the TANF Data and SSP-MOE Data Reports (forms ACF-199 and ACF-209).

(v) The State must use 80 percent of historic expenditures when calculating excess MOE; however if it has met the work participation requirements for the year, it may use 75 percent of historic expenditures.

**§ 261.44 When must a State report the required data on the caseload reduction credit?**

A State must report the necessary documentation on caseload reductions for the preceding fiscal year by December 31.

**Subpart E—What Penalties Apply to States Related to Work Requirements?**

**§ 261.50 What happens if a State fails to meet the participation rates?**

(a) If we determine that a State did not achieve one of the required minimum work participation rates, we must reduce the SFAG payable to the State.

(b)(1) If there was no penalty for the preceding fiscal year, the base penalty for the current fiscal year is five percent of the adjusted SFAG.